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QUARTERLY BUSINESS SURVEY No. 13.

PRELIMINARY RESULTS.

PAST AND ANTICIPATED CAPITAL AND MAINTENANCE EXPENDITURE BY AUSTRALIAN BUSINESS.

I. INTRODUCTION

Private businesses subject to payroll tax (other than those in rural industry) increased their expenditure on new buildings, structures, and capital equipment by about £8m. between the second half of 1949 and the first half of 1950. A further increase of about £8m. in expenditure is anticipated in the second half of 1950 making a total expenditure for the year of about £130m. This compares with £74m. in 1947, £93m. in 1948 and £106m. in 1949. Expenditure on repairs and maintenance increased by about £1m. and was slightly more than £36m. in the first half of 1950.

These results are based on returns by firms to the Quarterly Business Surveys. Preliminary figures for Survey No. 13 of actual expenditure in the first six months of 1950 and forecasts for the second half of 1950 and the first half of 1951, are compared below with final figures for earlier periods from previous surveys. The preliminary figures of expenditure in the second half of 1949 shown by Survey No. 11 have been revised to take into account returns received after the preliminary results were prepared but the general trend of the figures is substantially unchanged.

As in previous surveys the figures shown are estimated total expenditure by all private businesses which are subject to payroll tax, with the exception of those in rural industry. The firms from whose returns the figures are estimated account for about 30 per cent of the total wages and salaries paid by all firms subject to payroll tax. Expenditure by governments (Commonwealth, State and Local), and by most government business undertakings is excluded.

In these surveys builders and manufacturers or repairers of capital equipment are asked to exclude the value of work done for other businesses, and the figures refer to expenditure made by businesses in respect of equipment for their own use. "Buildings" in this report includes a certain amount of construction work on assets such as private wharves, roads etc. Capital equipment includes vehicles, cranes, office equipment and furniture, and machines and machinery of all kinds.

II. NEW CAPITAL EXPENDITURE

Actual expenditure on new buildings and capital equipment of £61m. in the first half of 1950 represents an increase of 15 per cent over the expenditure in the second half of 1949, and an increase of 17 per cent over expenditure in the first half of 1949. Expenditure is expected to increase by a further £7.9m., or 13 per cent, to a total of £69.3m. in the second half of 1950, but as the bulk of this increase is in anticipated building expenditure it may not be fully realised. The total expenditure of about £130m. anticipated for 1950 is 23 per cent above the expenditure in 1949. There has therefore been a renewal of the upward trend in capital expenditure after the temporary check in the second half of 1949 in the increase in expenditure on new capital equipment.

Table 1 shows the expenditure on new buildings and on capital equipment since 1947 together with a comparison of the forecast and actual expenditure since 1949.

TABLE 1. NEW CAPITAL EXPENDITURE

(Expenditure by firms, subject to payroll tax, on new buildings and capital equipment)

	1947	1948	1949		1950		1951
			1st Half	2nd Half	1st Half	2nd Half	1st Half
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
<u>New Buildings</u>							
1st Forecast	-	23.1	12.2	11.9	14.3	14.4	17.6
2nd Forecast	-	26.8	14.0	12.7	17.1	20.8	-
Actual	16.3	20.9	12.0	13.2	13.7	-	-
<u>New Capital Equipment</u>							
1st Forecast	-	63.5	32.0	32.6	31.9	35.6	43.9
2nd Forecast	-	72.9	39.3	38.9	43.8	48.5	-
Actual	58.1	72.1	40.6	40.0	47.7	-	-
<u>Total Expenditure on New Buildings and Capital Equipment</u>							
1st Forecast	-	86.6	44.2	44.5	46.2	50.0	61.5
2nd Forecast	-	99.7	53.3	51.6	60.9	69.3	-
Actual	74.4	93.0	52.6	53.2	61.4	-	-

The increase of £8.2m. in total expenditure between the second half of 1949 and the first half of 1950 is accounted for by an increase of £.5m., or 4 per cent, in expenditure on new building and of £7.7m., or 19 per cent, in expenditure on new capital equipment. Expenditure both on new buildings and on new capital equipment in the first half of 1950 is about 80 per cent higher than in the first half of 1947 when this series of surveys began.

In the second half of 1950 expenditure on new buildings is expected to be about £7.1m. higher than in the first half of the year. Actual expenditure has generally been somewhat lower than the forecast levels of expenditure and if this tendency continues actual new building expenditure in the second half of 1950 will probably be less than the forecast level. Further information on new building activity, showing types of building, is contained in the Quarterly Bulletin of Building Statistics.

Expenditure on new capital equipment is expected to increase by about £.8m. to £48.5m. in the second half of 1950. The first forecast of expenditure on new capital equipment in the first half of 1951 shows a fall of £3.8m. as compared with actual expenditure in the first half of 1950. However earlier surveys have indicated that first forecasts are generally increased when revised forecasts are made, and this figure may well be increased when the second forecast is made for this period in six months time.

III. NEW CAPITAL EXPENDITURE BY INDUSTRIES

Table 2 shows the new capital expenditure in various industries from 1947 to the first half of 1950 together with the expenditure anticipated in the two following six-monthly periods. The figures shown in this table should be used with caution as they are liable to a greater degree of error than the totals presented previously.

TABLE 2. NEW CAPITAL EXPENDITURE BY INDUSTRIES

(Expenditure by firms, subject to payroll tax, on new buildings and capital equipment)

	1947 Actual	1948 Actual	1949		1950		1951
			1st Half Actual	2nd Half Actual	1st Half Actual	2nd Half Forecast	1st Half Forecast
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Manufacturing -							
Engineering and Vehicles	16.3	20.1	11.8	11.0	12.8	15.3	13.1
Textile	1.9	3.5	1.5	2.1	2.3	3.2	1.5
Clothing	2.3	2.7	1.9	1.7	1.4	1.4	.7
Food, Drink and Tobacco	7.9	8.2	5.1	5.8	6.8	7.0	7.2
Paper and Printing	5.0	6.8	4.0	5.1	5.2	5.5	6.4
Gas and Electricity	3.4	5.4	2.8	2.4	2.2	2.6	3.0
Other Manufacturing	10.4	11.0	6.8	6.7	8.9	11.4	10.2
Total Manufacturing	47.2	57.7	33.9	34.8	39.6	46.4	42.1
Mining	2.1	3.3	2.3	2.2	3.3	4.9	3.8
Transport	6.4	8.0	4.6	3.9	3.2	4.1	5.1
Wholesale and Retail Trade	12.6	17.7	8.0	8.1	10.0	10.1	7.5
All other	6.1	6.3	3.8	4.2	5.3	3.8	3.0
TOTAL:	74.4	93.0	52.6	53.2	61.4	69.3	61.5

Expenditure by both the manufacturing and non-manufacturing industries increased by about 15 per cent between the second half of 1949 and the first half of 1950. In the following six monthly period expenditure in the manufacturing industries is expected to increase by a further £6.8m., or 17 per cent, as compared with £1.1m. or 5 per cent, in the non-manufacturing industries.

New capital expenditure in the first half of 1950 was more than 15 per cent up on the previous six months in the engineering, food, drink and tobacco, and "other manufacturing" industries, but declined in the clothing industry and in the gas and electricity industry. The greatest percentage increases were in the non-manufacturing group of industries where mining showed an increase of about 50 per cent and wholesale and retail trade and "all other" groups an increase of more than 20 per cent.

Most manufacturing industries forecast an increase in expenditure between the first half and the second half of 1950. The largest increases are forecast by the engineering and vehicles, textiles and "other" groups. Among non-manufacturing industries mining and transport anticipate increases in expenditure of more than 25 per cent and "all other" industry a fall of nearly 30 per cent.

IV. REPAIRS AND MAINTENANCE EXPENDITURE

Expenditure on repairs and maintenance from 1947 to the first half of 1950 and forecasts for the second half of 1950 and for the first half of 1951 are shown in Table 3.

TABLE 3. REPAIR AND MAINTENANCE EXPENDITURE

	1947	1948	1949	1950		1951
				1st Half	2nd Half	1st Half
	£m.	£m.	£m.	£m.	£m.	£m.
1st Forecast	-	55.2	59.2	32.9	35.0	34.1
2nd Forecast	-	57.4	64.2	35.2	34.5	-
Actual	58.3	62.7	70.3	36.3	-	-

Since 1947 there has been a gradual increase in repair and maintenance expenditure presumably resulting mainly from rising costs.